

# MARSHFIELD

## DOWNTOWN PLAN

### PART TWO: MARKET ANALYSIS



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*Marshfield has a significant shortage of condominium units, which may be a viable target for downtown housing development.*

## HOUSING MARKET

Marshfield will continue to grow slowly through the next decade. A combination of additional residents, shrinking household size, and moves to different housing will create a demand for new owner and renter occupied units. The downtown and adjacent neighborhoods should be considered a priority location for a portion of this new housing, including owner occupied townhomes and condominiums, apartments targeting the region's growing elderly population, and market rate rental units.

## HOUSING NEEDS ANALYSIS

Marshfield completed a housing study in April of 2014. The results of this analysis are generally consistent with the findings of that study, adding additional detail concerning demand, and specific analysis of the downtown area.

The *2014 Marshfield Housing Study* made several observations concerning the market, and having a bearing on the downtown area.

- There are 152 condominiums and 18 townhouse units in the entire city, representing only about two percent of the total number of units. This is about half the rate typical of Marshfield's peer cities. The study identified a need to provide additional townhome and condominium units to meet market demand. According to the survey conducted for the study, 11.5 percent of households would consider purchasing a condominium.
- The average single family home had a 2013 value of \$129,033, while the average sale price of homes on the market was \$121,868. There are a large number of lower-valued homes in the city, concentrated in the central area. These are often older homes that may need work, and lower-valued homes are often converted to rentals.
- A significant amount of the city's housing is old, with 34 percent of owner occupied housing constructed prior to 1939, and 52 percent of all multifamily housing built by 1980. While the study notes that age can be an indicator of the need for maintenance, it is also true that older housing may not meet modern desires concerning layout (all on one floor and open floor plans) or amenities (large rooms, attached garages, etc.).
- Renters have expressed concerns about the quality of many units on the market, and the study identifies a concern with some of the older single family housing that has been converted to rental units. At the same time, it notes that there is a "rent gap" with few higher-end rentals over \$1,000 per month. Only two percent of the city's rental units fall into this price range, versus eight percent in peer communities. Just four percent of households renting in Marshfield pay \$1,000 or more per month, while one in five renting households has an income in excess of \$50,000 and can afford to pay more. This is eight percent of the market.
- There have been an average of 3.3 new multifamily units added in each year of the past decade (2004 to 2013), while the average was 9.2 in the prior decade (1994 to 2003). Several of the housing needs itemized in the study related to rental housing.
  - There is an inadequate supply of short term rentals.
  - There is an inadequate supply of pet-friendly rentals.

- There is an inadequate supply of acceptable rental units at the lower end of the rent scale.
- There is an inadequate supply of higher-end rental units.

## DOWNTOWN AREA HOUSING

The central part of Marshfield reflects the conditions noted in the housing study. Available data was collected for an area bounded by 14<sup>th</sup> Street on the south, Oak Avenue on the west, Doege Street to the north, and Vine Street on the east. This area has a greater concentration of multifamily housing as well as rentals. Housing stock is generally older. While this includes some nicely restored Victorian and revival style homes, it also includes many nondescript properties that have not been as well maintained or updated to modern standards.

Demographically, the central area tends to be younger than Marshfield as a whole, with a median age of 37.1 years, compared to 41.3 years for the city. It is also poorer. At 1.94 persons, the average household size is slightly smaller than the 2.1 person average in the city. The area’s median household income of \$31,979 falls well below the city median of \$40,570, as does the per capita income (\$18,495 versus \$25,989 for the city).

Vacancies are more common than elsewhere within the city. Citywide, 0.6 percent of owner occupied units are vacant, and 3.9 percent of rentals. The overall vacancy rate in the downtown area is 9.7 percent, or 164 units. This may be an indication, as the 2014 *Marshfield Housing Study* observed, that some older and lower-priced units have very little appeal to buyers or renters.

## GENERAL MARKET TRENDS

Changing generational preferences are impacting housing markets in large and small communities across the country. This starts with the Silent Generation born during the Depression and World War II years. Now in their 70’s and older, they have proven to be less likely than their parents to move to places like Arizona and Florida. As they tend to be more affluent than other generations, they have traded up to larger housing, and may now seek to move into housing (such as condominiums) that is easier to maintain and designed for people who have mobility concerns.

The Silent Generation and those that follow have an expectation and desire to remain active and independent well into their old age. An ever greater number will live well into their 80’s and beyond, and the ranks of the very old will continue to swell. By 2025 the first of the Baby Boomers will reach the age of 80. Driven by a need for greater levels of assistance and proximity to services, these older households will be inclined to move from rural areas and outlying communities to urban centers such as Marshfield, that can better meet their needs.

As already mentioned, the Baby Boomers are aging. Half have already reached retirement age, yet they are more likely than prior generations to keep working beyond the age of 65. At this time they are still occupying suburban single family homes, but show more of an inclination than prior generations to choose condo living and to select a mixed use neighborhood. Each successive generation shows a greater propensity to select this type of neighborhood (though still a minority of the total).

Generations X and Y are presently the prime market for purchases of new and existing homes. Economic realities – these generations may not be as well off as preceding ones - and housing preferences may drive many of these households



### MARSHFIELD’S CENTRAL AREA

Population	2,969
Median Age	37.1
Households	1,534
Avg. Household Size	1.94
Median Hhold Income	\$31,979
Per Capita Income	\$18,495
Housing Units	1,698
Owner Occupied	697 (41.0%)
Renter Occupied	835 (49.2%)
Vacant	164 (9.7%)
Detached Units	46.5%
Multifamily Units	53.5%



*The Aster is a senior apartment community (and adaptive reuse project) in downtown Marshfield.*

away from large homes on large lots. Active lifestyles and limitations on time are significant factors in the selection of housing. All of these considerations may result in increased demand for condominiums, townhomes, and detached housing in places that have immediate access to amenities that are desired by these buyers.

Millennials are just entering the housing market, and many are staying within their parents' households well into their adult years. This is partly for economic reasons, as they entered the workforce at the height of the recession and are likely to carry significant student loan debt. When they do venture out to establish their own households, they are looking for housing in neighborhoods close to the activities and social life they value.

Aside from generational issues, the market is still impacted by the Great Recession and the new economic realities resulting from it. The housing crisis coinciding with the recession wiped out \$16 trillion in household wealth that many middle and lower income households have not recovered. Income growth has been stagnant for some time even before the recession, and many households have experienced a net loss in income due to job losses or pay and benefit cuts that have not been restored, affecting purchasing power as much as the loss of savings and equity.

Americans remain skeptical about the market's recovery, despite data showing improvements in common housing market statistics. One quarter of Americans, both renters and owners, feel less secure in their housing situation than they did prior to the recession. Employment volatility is at the heart of this concern. In addition to traditional job insecurity, nearly a third of the workforce is expected to be working independently by 2020, as freelancers, independent contractors, and self-employed business owners.

The resulting picture is one in which households may not be able to spend as much on housing as before the recession, financing may be more difficult for some to obtain, home ownership may be seen as an impediment to the mobility required for frequent job changes, and ownership has lost some of its luster as a means of building wealth. On the other hand, there is an increased interest in renting and improved perceptions of renters. Even among existing homeowners, nearly half expect to rent at some point in the future.

## **MARKET DEMAND**

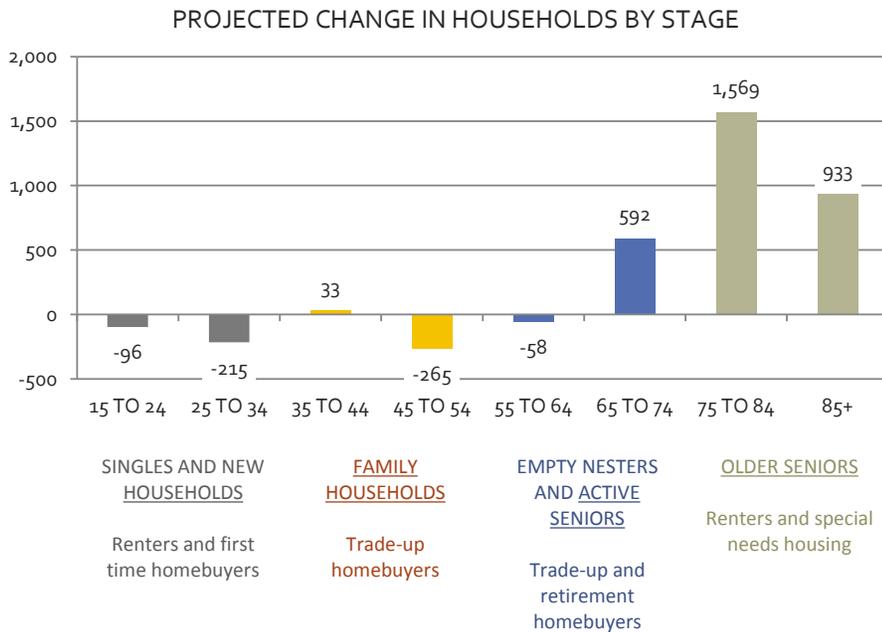
There is a strong demand for new housing in the City of Marshfield, and a significant part of that demand could be met within the downtown area. The following methodology was used to estimate market demand.

- Population estimates and forecasts were generated using a cohort-component method, based on Census data and using local constants for fertility, mortality, and migration rates.
- Age-specific rates of household formation, income distribution, and tenure were applied to generate estimates of households and household demographics. Income has been adjusted for expected inflation in the forecasts.
- The distribution of households by housing preference (condominium, townhome, or single family home) was estimated using homebuyer profile data from the National Association of Realtors. Purchase price and rent were calculated assuming a maximum of 35 percent of household income allocated to housing cost.

It should be noted that the projections created for this analysis show an increasingly aging population within the City of Marshfield. The estimates are very

consistent with those adopted by the City in its Comprehensive Plan. In contrast, the Wisconsin Department of Administration projects that the city will lose population over the coming decade.

Marshfield’s housing market will be heavily influenced by the growth of an older population. The number of people in each age grouping below 55 years will remain more or less constant, however, there is strong growth among the older age brackets. This is most notable in the population of persons aged 85 or older. A combination of factors are in play here, including larger numbers of people in these groupings (the Baby Boom Generation), and increased longevity. Most significantly for Marshfield, though, is a large number of older households (headed by a person 55 or older) who are moving into the city.



*Nearly all of the growth in demand for new rental and owner occupied housing will be generated by households headed by a person 65 of older.*

The city is expected to add an average of 190 new households per year over the coming decade, evenly split between renters and owners. Including existing households that move, there are estimated to be 280 to 294 home purchases per year. Any new detached units will need to compete with the city’s existing housing inventory for a segment of the market. Alternatively, there is very little existing competition for households that seek to purchase townhomes or condominiums. Demand for these units is estimated around 50 units per year.

**ESTIMATED ANNUAL HOMEBUYERS BY PROPERTY TYPE**

TYPE	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Detached	215	217	219	221	222	224	225	226	226	226	226
Rowhouse	22	23	23	23	23	23	23	23	23	24	24
Condo (5+)	20	20	20	20	20	20	20	21	21	21	21
Condo (2-4)	6	6	6	6	6	6	6	6	6	6	6
Other	20	20	20	20	20	20	20	21	21	21	21

There have been six to eleven condominium sales in each of the last three years, yet the figures above clearly demonstrate potential demand for a much larger number of units. This signals a mismatch between demand and supply, as there are

Marshfield's landlords have targeted the low and moderate rental range, leaving a gap for quality units commanding higher rent. Eighteen percent of the market can afford \$1000 or more per month, but only four percent of the supply is priced at this level.

relatively few condominiums available within the city, and fewer than are found in comparable communities. Particularly as the population continues to age, demand for this type of housing can be expected to remain strong, due to its ease of maintenance and greater likelihood that all living areas are on a single level.

Approximately one quarter of all buyers will be searching for a home priced under \$100,000, and another quarter will be looking in a range from \$100,000 to \$200,000. This demand is mostly met by existing housing found throughout the city, with the lower priced homes concentrated in the central area. The 2014 *Marshfield Housing Study* discusses concerns about the quality of some of this housing, and recommends programs to assist homeowners with upgrades. A transition in ownership is often an opportunity to leverage these programs with homeowner or buyer investments, and could have positive impacts on the downtown area's residential environment.

ESTIMATED HOME BUYERS BY PURCHASE PRICE

PRICE	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014
Under \$100,000	71	71	72	72	73	73	74	74	74	74	74
\$100,000 to \$149,999	46	46	47	47	47	48	48	48	48	48	48
\$150,000 to \$199,999	29	29	29	29	30	30	30	30	30	30	30
\$200,000 to \$249,999	27	27	27	27	28	28	28	28	28	28	28
\$250,000 to \$299,999	28	29	29	29	29	29	30	30	30	30	30
\$300,000 to \$349,999	19	19	19	19	20	20	20	20	20	20	20
\$350,000 to \$399,999	15	15	15	15	15	16	16	16	16	16	16
\$400,000 to \$449,999	10	10	10	10	10	10	10	11	11	11	11
\$450,000 to \$499,999	5	5	5	5	5	5	5	5	5	5	5
\$500,000 or more	31	31	31	31	32	32	32	32	32	32	32

Including existing renters who will move to a new apartment, the market for rentals will increase from 1,779 annual leases to 2,158 over the next decade. Because there is significant annual turnover among renters, there is an opportunity for new units to capture market share by providing a better quality product. In the Marshfield market, it is possible to command a higher rent for these better units. Based on an analysis of rental household income, 18 percent can afford to pay \$1,000 or more per month in rent, and nearly half (47 percent) can afford more than \$600 per month.

Much of the new demand for rental units will be created in older households. The number of units rented by persons 75 or older will nearly double in the next decade (195 percent increase), while there will be a 178 percent increase in rental households headed by an individual age 65 or older. This suggests the need for rental housing that is designed with older residents in mind, though not necessarily

in retirement communities. Many of these households will prefer to live in active, inter-generational neighborhoods

ESTIMATED ANNUAL RENTERS BY MONTHLY RENT

RENT	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014
Under \$600	943	961	980	999	1,019	1,039	1,059	1,080	1,101	1,122	1,143
\$600 to \$699	199	203	207	211	215	219	223	228	232	236	241
\$700 to \$799	115	117	119	122	124	126	129	131	134	137	139
\$800 to \$899	82	83	85	87	88	90	92	94	95	97	99
\$900 to \$999	109	111	113	115	117	120	122	124	127	129	132
\$1000 to \$1099	51	52	53	54	55	56	57	58	59	61	62
\$1,100 to \$1199	36	36	37	38	39	39	40	41	42	43	43
\$1200 to \$1299	44	45	46	47	48	48	49	50	51	52	53
\$1300 to \$1399	52	53	54	55	56	57	59	60	61	62	63
\$1400 to \$1499	37	38	39	39	40	41	42	43	43	44	45
\$1500 to \$1749	41	42	43	43	44	45	46	47	48	49	50
\$1750 to \$1999	41	42	43	43	44	45	46	47	48	49	50
\$2000 or more	31	31	32	32	33	34	34	35	36	36	37

*There is a largely untapped demand for higher-end, more expensive rentals in the Marshfield Market. These are units that can be developed downtown.*

The 2014 Marshfield Housing Study documents about 11,000 people commuting into Marshfield every day, and suggests that the city may be able to accelerate housing development by capturing a segment of this market. Survey data suggests that cost (lower property taxes) and the desire for a rural lifestyle are the main reasons people choose to live outside of Marshfield. Proximity to restaurants and shopping was not ranked as a high priority in selecting where to live.

Considering these observations in the context of the population and housing data suggests a common scenario. Family households in the entry and trade-up phases of the household cycle find it desirable and advantageous to live in a more rural setting that possibly offers better value, newer housing stock, larger homes and lots, and other amenities suited to a family. As households age and transition to empty nesters, they may find their preferences shifting to smaller and more easily maintained homes, and proximity to amenities found in urban communities.

### **DOWNTOWN HOUSING OPPORTUNITIES**

The new housing that can be marketed in the downtown area will be shaped in part by characteristics of the redevelopment sites selected, whether for new construction or adaptive reuse. The ability to market this housing will also be impacted by competition, whether from existing units or from new construction.



*Example of condominium flats in a multi-unit building.*



*Example of rowhouses.*

The City may influence both of these factors. It may proactively identify and secure control of redevelopment sites, prepare redevelopment concepts that specify acceptable uses, and providing financial or technical assistance to projects meeting predetermined criteria. The City may also seek to shape the competitive field by limiting the number of competing units constructed outside of priority redevelopment areas such as the downtown.

Higher costs associated with redevelopment, as well as the desirability of increasing the number of residents in the central part of the city, will dictate targeting multifamily development. This can include multi-unit condominium buildings (typically flats), rowhouses, and apartments.

The analysis suggests that about 50 owner occupied units and 95 additional apartments can be supported city-wide in each of the next ten years. Not all of these units could, or should be provided within the central area. In particular, the City should be concerned about providing too many rental units, and especially affordable rentals in a concentrated area. The downtown neighborhood is already comprised of slightly over half rental units. To maintain its vitality and appeal to a cross section of the market, an effort should be made to maintain a balance of at least half of the total units as owner occupied.

If the City were to establish a realistic goal of capturing an average of 15 new owner occupied units per year (a range of ten to 20 in any given year), an equal number of apartments could be added. As recommended in the housing study, owner housing rehabilitation programs and an apartment occupancy permit program could help to further stabilize the area's housing stock and perhaps convert some rental units back to owner occupied housing.

Communities that have been successful in developing downtown housing have generally had some significant amenity that has helped them to attract residents to the area. Often, this has been a natural feature such as a lake or river, or even a significant public park or plaza. Concentrations of quality eating and drinking places, cultural venues, and unique shopping can also be a lure. Even the buildings can be a draw if they provide exceptional city views or offer unique space, such as renovated lofts. Marshfield generally lacks any of these characteristics. Downtown is nice and well maintained, but it does not have any distinguishing feature to draw residents. While it has a healthy business community, it does not generate the social interaction that makes people gravitate to a mixed use district.

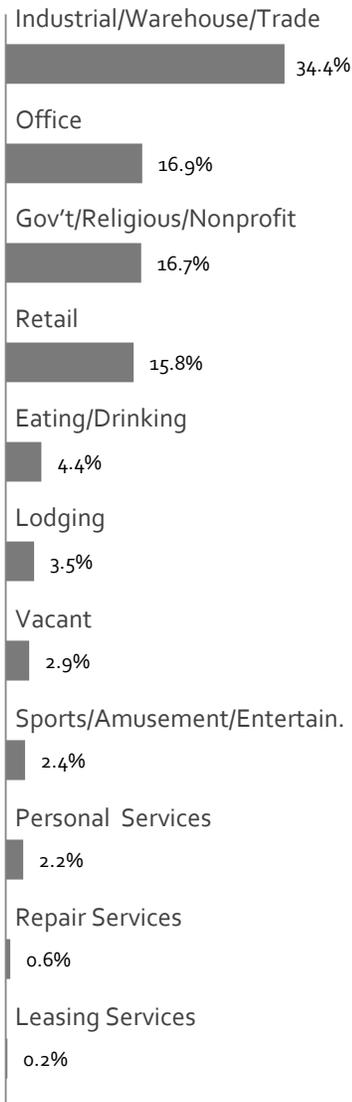
In the final analysis, the challenge for Marshfield may not be a question of whether there is demand for the attached housing built in a downtown district, or whether there are suitable sites for redevelopment in the district, but whether the City can develop the amenities and environment that will give people a compelling reason to purchase or rent in the downtown as opposed to suburban parts of the community.



## RETAIL AND DINING MARKET

Downtown Marshfield has a credible opportunity to add new shops and restaurants. Factors in this assessment include a stable to growing population, a large trade area, a strong local employment base, and demonstrated interest in starting new businesses within the community. Over the long term, there are some concerns that limit growth. These include the aging of the population occurring through the natural aging of the Boomer generation and an outmigration of younger households, and incomes that tend to be below state or national averages.

DOWNTOWN USES  
BY FLOOR AREA



### EXISTING CONDITIONS

Downtown Marshfield is a remarkably healthy business environment when compared to other downtown districts in the state. There is a very low vacancy rate (2.9 percent) and the downtown has a diverse mix of businesses with a steady stream of new business started.

The numbers shown at left are from an area bounded by 14<sup>th</sup> Street on the south, Oak Avenue on the west, Doege Street to the north, and Vine Street on the east. They represent the total commercial floor area within the core, so that in addition to ground floor space, if basement or upper floors are used for commercial purposes, they are included in the total.

In total there are 332 non-residential or mixed use properties in the downtown, with about 1,935,000 square feet of non-residential floor area. The average building was constructed in 1936, though the actual range is from 1870 to 2011. The total value of land and improvements is \$90.5 million, including the value of a significant number of exempt properties.

Manufacturing and related uses such as warehousing and construction trades take up over a third of the total floor area. This is not unusual. The central part of the city was where industry originally tended to locate. Most of these uses are found along the railroad tracks or on secondary streets. Some of these sites might be considered for eventual redevelopment.

Roughly equal amounts of space area taken up by office uses, public or quasi-public uses (governmental functions, churches and related facilities, and nonprofit organizations such as service clubs), and retail. Together, they take up about half of the downtown space. Retail tends to be found almost exclusively along Central Avenue. Offices and governmental functions also have a preference for Central Avenue, but do appear regularly along secondary streets, and most notably Chestnut Avenue. Religious uses are scattered through the core, including within residential neighborhoods.

Eating and drinking places take up less than five percent of the available space in the central core. This figure may be somewhat low compared to other communities. It is also worth noting that there are comparatively few restaurants or snack and beverage shops (ex., coffee shops, bakeries, etc.) in the heart of the downtown district. Most are found south of 4<sup>th</sup> Street or north of Arnold Street. There is a single hotel in the downtown, including a large conference space and waterpark. The restaurant attached to the hotel is included in the figures for eating and drinking places.

A variety of service uses make up just over five percent of the total floor area. Sports, amusements, and entertainment include uses such as gyms and the cinema. Personal services include activities like salons, massage parlors, tattoo parlors, and laundromats. The downtown has a surprisingly small number of repair services, which might include auto repair, electronics repair, and similar services.

Leasing includes businesses that are mainly engaged in renting merchandise and equipment, including car rentals, video rental stores and rent –to-own stores.

### Retail Establishments

The downtown district contains 52 retail businesses. This is more than would be expected of a community the size of Marshfield, especially when the presence of the Marshfield Mall and of nearby larger communities is factored in. A broad range of retail stores in the downtown includes many specialty shops that will draw from a greater distance, along with those businesses serving a neighborhood or community level base of customers.

#### NEIGHBORHOOD AND COMMUNITY SHOPPING GOODS

DESCRIPTION	NAICS	NUMBER
Used car dealers	441120	1
Automotive parts and accessories dealers	441310	2
Tire dealers	441320	1
Radio, television, and other electronics stores	443112	1
Computer and software stores	443120	1
Household appliance stores	443141	1
Paint and wallpaper stores	444120	2
Hardware stores	444130	1
Other building material dealers	444190	1
Supermarkets and other grocery stores	445110	1
Convenience stores	445120	1
Pharmacies and drug stores	446110	1
Cosmetics, beauty supplies, and perfume stores	446120	1
Food (health) supplement stores	446191	1
Gas stations with convenience stores	447110	3
TOTAL		19

#### SPECIALTY SHOPPING GOODS

DESCRIPTION	NAICS	NUMBER
Furniture stores	442110	2
All other home furnishings stores	442299	4
Confectionery and nut stores	445292	1
Beer, wine, and liquor stores	445310	1
Women’s clothing stores	448120	1
Other clothing stores	448190	3
Shoe stores	448210	2
Jewelry stores	448310	1
Sporting goods stores	451110	2
Hobby, toy, and game stores	451120	1
Sewing, needlework, and piece goods stores	451130	1
Musical instrument and supplies stores	451140	1
Book stores	451211	2
Florists	453110	1
Gift, novelty, and souvenir stores	453220	2
Used merchandise stores	453310	5
Pet and pet supplies stores	453910	2
All other merchandise stores	453998	1
TOTAL		33



*Downtown has 52 retail businesses – a greater number of businesses and a larger aggregate floor area than found in the Marshfield Mall.*

## Eating and Drinking Establishments

The heart of Marshfield’s downtown is a five block stretch from Veteran’s Parkway south to 5<sup>th</sup> Street. This part of the district contains relatively few eating and drinking place. Rather, these uses are found further from the center, both north and south on Central Avenue. This is somewhat problematic, as it is desirable to have restaurants, coffee shops, and similar businesses compliment nearby retail uses, as well as be within walking distance of downtown office workers.

Of particular note, there are very few places at the center of the district where a customer may get a simple and quick meal over the lunch hour. Rather, the majority of restaurants tend to provide full service, or are taverns that may not be open for lunch, or are carry-out pizza places. Only The Daily Grind provides a quick lunch menu, and China Chef has a lunch buffet.

Thirteen of 27 eating and drinking places in the larger downtown area are classified as taverns selling alcoholic beverages with limited food service. Full service restaurants include some of the city’s better regarded eateries including Thomas House, Royal Tokyo, and Blue Heron Brew Pub.



*The Daily Grind is one of only two snack and nonalcoholic beverage bars in downtown Marshfield, and one of only two places where a downtown employee may get a relatively quick lunch.*

### EATING AND DRINKING PLACES

DESCRIPTION	NAICS	NUMBER
Drinking places (alcoholic beverages)	722410	13
Full service restaurants	722511	6
Limited service restaurants	722513	5
Cafeterias, buffet grills, and buffets	722514	1
Snack and nonalcoholic beverage bars	722515	2
TOTAL		27

## Vacancies

Only 2.9 percent of the downtown’s non-residential space is vacant. The most significant share of this is found north of the railroad, at Founders Square and in the former Walgreen’s and Hudson’s buildings. Downtown vacancies range from small office suites to 28,500 square feet. Very little of this space is in the traditional storefronts lining Central Avenue. Downtown space tends to fall in a range of 1,000 to 3,000 square feet and leases around \$8.00 to \$15.00 per square foot.

Citywide, a search of commercial listings found 176,600 square feet listed for rent or sale in properties that could be used for either retail or office purposes. Of this, 46,900 square feet was located within the Marshfield Mall. Other locations include a combination of freestanding buildings and space within commercial strips. Lease rates range from lows around \$8.00 to \$20.00 per square foot.

## TRADE AREAS AND OTHER SOURCES OF DEMAND

Trade areas are a region from which a city, a business district, or a business attracts a majority of its customers. A primary trade area will generally produce between 60 and 80 percent of business patrons, while the secondary trade area may contribute another 15 to 25 percent. Some portion of the customer base lies outside of these trade areas. In a conventional setting this is usually a small percentage, however, it can become very significant if the district or business supports a strong visitor market. The concept of trade areas becomes even more cloudy with the addition of online sales. It is now very possible for a business to derive much of its sales volume from customers who do not even visit the location.

Trade areas may be defined in several ways, and multiple approaches are often taken to make a determination. Ideally, customer transaction data will be available for review, pinpointing the actual location of the people who frequent businesses. The city's laborshed is a good surrogate for actual customer data. People will often shop the same area in which they are willing to travel for work.

Transportation networks, barriers, and demographics further shape the configuration of trade areas. Road patterns and their quality influence the selection of routes that may make one location more convenient than another. Related to this, barriers (such as rivers with limited crossings) can cut customers off from convenient access to a community. Demographics can be important in some instances, such as when shopping patterns may be influenced by ethnic ties or when people may have an aversion to shopping in lower income neighborhoods.

Lastly, but perhaps most importantly for some types of business, competition is a factor in determining the trade areas in which people shop. Equivalent competition, such as when comparing a Walmart in one community versus a Walmart in a second community, usually produces a result in which the customer will travel to the closer store. This outcome is less certain when comparing different competitors in a class (such as Walmart, Shopko, Target, and Kmart), in which case the decision may be less influenced by distance than by perceived quality, selection, and price. Taking this a step further, the density of competition can also be a significant factor, where a critical mass of complimentary businesses can lure customers for comparative shopping, as is often the case with a regional mall.

Marshfield and its downtown have a primary trade area that includes the entire city along with surrounding rural areas and smaller communities. It includes that part of Wood County lying north of Pittsfield and Vesper, along with the portion of Marathon County south of Highway 29 and west of Highway 107. A secondary trade area adds territory primarily to the south and east, including the cities of Wisconsin Rapids, Steven's Point, Wausau, and Merrill.

The trade area was determined through a combination of interviews with businesses in the downtown, an examination of the city's laborshed, and consideration of competition in the marketplace. A sizable workforce commutes into the city each day and will have an impact on some retail expenditures along with eating places, especially during the lunch hour. While there is some leisure and business traffic to the city, along with visits to the hospital, the level of visitor traffic generated from beyond the trade areas will not have a significant impact on retail sales.

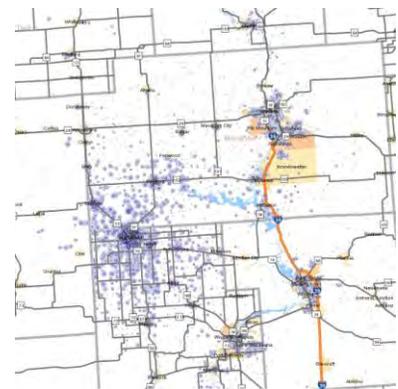
The primary trade area is the region from which a majority of downtown businesses will draw a majority of their customers. The secondary trade area is a broader region from which people will travel less frequently, with a tendency to be drawn to specialty retailers offering more unique products.

### **Other Sources of Demand**

Aside from residents of the trade area, spending can originate from workers and visitors to the community. Worker spending adds to market potential when workers are commuting into an area from beyond its trade area. In the case of Marshfield, the primary trade area takes in a majority of the city's work force, and the secondary trade area includes most of the remainder. Since these workers' spending is already captured in the trade area analysis, no additional analysis is necessary.



*Worker Flows: Far more workers commute into Marshfield daily than there are residents who work elsewhere.*



*Marshfield draws its workers from a large area, predominantly to the west, and including the cities of Wausau and Wisconsin Rapids.*

## MARSHFIELD'S TRADE AREAS

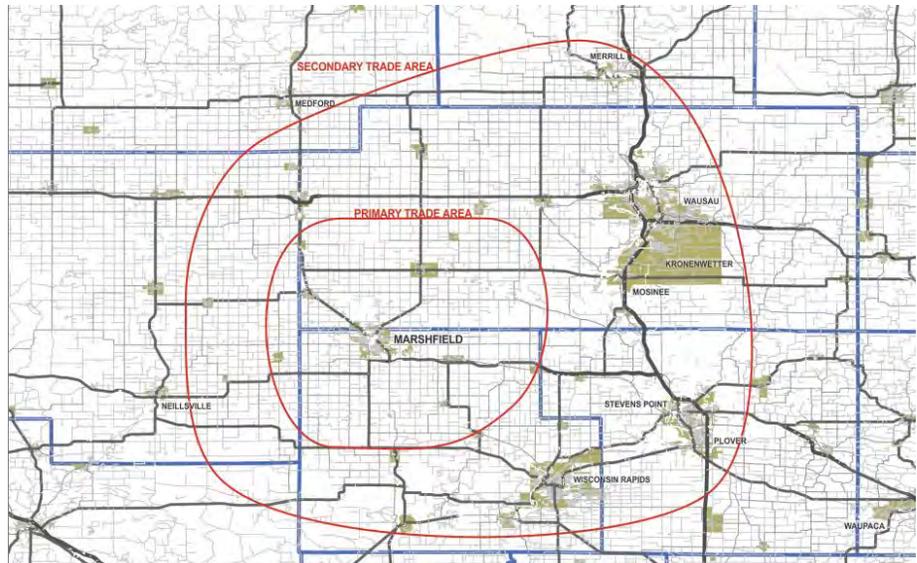
### Primary Trade Area:

Population	53,805
Households	21,640
Median Income	\$50,705

### Secondary Trade Area:

Population	285,473
Households	116,707
Median Income	\$50,504

## MARSHFIELD'S PRIMARY AND SECONDARY TRADE AREAS



Visitors usually include tourists or people visiting friends and family (leisure travelers), and business travelers. They can also include so-called health travelers, or people who are traveling to receive medical or health-related care. This can be a factor for Marshfield due to the clinic and hospital.

## MARKET POTENTIAL

Downtown Marshfield rivals the Marshfield Mall, surpassing it in the number of retail stores and in total occupied floor area. Downtown, however, does not have the department store anchors or the national chains that are found in the mall. The downtown draws most of its customers from a local area, supplemented by trips made by people within neighboring counties. The downtown, and the city in general, are not a destination location for visitors from outside of the region.

## Demographic Overview

The primary trade area has a population of 53,805 people, with 21,640 households. It is a very homogenous population, with less than five percent of the total identified as a race other than white. It is also older than average, with a median age of 40.9, and 16.2 percent of the population in their retirement years (65 or older). The median income of \$50,705 is only slightly below the national figure of \$51,017.

Data for the secondary trade area reflect similar conditions. There are 285,473 people living in 116,707 households. The median age is 39.8 and the median household income is \$50,504. There is a slightly smaller population aged 65 or older (15.9 percent) and a slightly larger population with a race other than white (7.9 percent).

## Visitor Spending

According to the Wisconsin Department of Tourism, direct visitor spending in Wood County was estimated at \$80.3 million in 2013, and \$228.6 million in Marathon County. Much of this will have been realized in places outside of Marshfield. For the purposes of this analysis, a tourist is defined as somebody who makes a visit to a location that is outside of their normal pattern. In this case, a visitor would be considered as a person living beyond the secondary trade area.

Complete data on the spending patterns of local visitors is not available. The best available measure is the Michigan Model (developed by the Michigan State University), that does estimate expenditures for categories including restaurants, groceries, gas, clothing, sporting goods, and souvenirs and other expenses. Inputs to this model were based on actual hotel nights reported and statewide market research conducted by the Wisconsin Department of Tourism.

Model results estimate direct visitor spending in Marshfield at a total of \$13,913,000. This can be broken out into the following:

Restaurants and bars.....	\$3,113,000
Groceries and take-out food.....	\$827,000
Gas.....	\$1,211,000
Clothing .....	\$642,000
Sporting goods.....	\$74,000
Souvenirs and other expenses .....	\$1,426,000

These figures are not highly significant, aside from restaurant and gas sales. Based on national averages, less than half of clothing sales will be captured at apparel retailers and about a third of sporting goods will be purchased from sporting goods stores. The remainder of purchases will be distributed across many other store types, with department stores and discount departments stores taking up a large share. The final category of souvenirs and other expenses is very broad, and may be comprised of any number of goods such as packaged alcohol, drugs and health care items, household goods, books, hobby supplies, pet products, and more. These sales will be distributed throughout the retail sector, and while helping to increase sales, will not be concentrated in any one type of business, or even those businesses located in the downtown.

**Retail Market Potential and Sales Estimates**

The market potential for the primary and secondary trade areas is based on 2014 demographic conditions derived from 2010 Census figures, and then projected to subsequent years. Per capital expenditures are calculated by product line, and then extrapolated to purchases by store type. Detail for the current year and projections for 2019 and 2024 are included in the appendix.

Sales estimates were prepared for each retail business in the downtown. These estimates were based on a combination of factors including the store floor area, market potential, competition, and observations of the business. To avoid disclosing information about individual businesses, some of the stores have been grouped to higher level classifications that include multiple businesses.

The performance of the downtown district overall is very good, with several categories achieving a high market share. While the mall and the commercial strips may attract the discount stores and mid-box retailers, the downtown has done a respectable job of attracting and retaining some anchor retailers such as Pick ‘n’ Save, Ace Hardware, Mitten’s Home Appliance, and Mall Furniture, along with many smaller specialty stores.

*Tourism – defined as visits from people living outside of the trade area – has little impact on spending on retail and dining in Marshfield.*



*Downtown Marshfield has a significant number of businesses serving the local population, along with specialty retail stores.*



SALES ESTIMATES AND MARKET SHARE

DESCRIPTION	ESTIMATED DOWNTOWN SALES	MARKET SHARE – PRIMARY TRADE AREA	MARKET SHARE – SECONDARY TRADE AREA
Auto parts, accessories, and tire stores	\$4,272,870	32.5%	6.3%
Furniture, home furnishings, and electronics stores	\$16,715,744	54.6%	10.7%
Building material stores	\$9,155,640	17.4%	3.4%
Food and beverage stores	\$41,495,296	46.5%	9.1%
Health and personal care stores	\$3,990,006	10.3%	2.0%
Gasoline stations	\$13,152,000	14.8%	2.9%
Clothing, shoe, and jewelry stores	\$9,518,964	26.7%	5.2%
Sporting goods, hobby, musical instrument, and book stores	\$7,442,118	55.5%	10.8%
Miscellaneous store retailers (florists, office supplies, gifts, used mdse., pet supplies, etc.)	\$9,759,751	56.7%	11.1%
All retail goods	\$115,502,309	21.7%	4.2%

**Gap Analysis**

A gap or leakage analysis is a final technique used to gain understanding of market conditions. By comparing the market potential within a trade area against the estimated sales of all businesses within the trade area, it is possible to gain some insight into demands that may not be met locally. If market potential is larger than the sales realized at local businesses, there is said to be “leakage” of market potential.

There are many limitations to a gap analysis, and care must be taken when considering the results. The first problem with the analysis is that the trade area is extensive, and does not consider what may be happening outside of its edge. For example, the analysis may show leakage in a category, but the trade area may not pick up a business in that category located just beyond its boundary. A second issue commonly encountered is that there is a tendency to identify the categories with the greatest leakage as the best opportunities, but in reality, the type of store must be a good match for the district, and more importantly, the gap must be scaled to the typical sales range of a store in that category. Finally, competition also factors in. Even when sales exceed market potential, it is still possible for a new business to be successful if it can compete with others.

A gap analysis may be applied to current year data, but quickly loses validity when projected to future years. There is already a large component of error in projections of market potential. This error is much larger in projections of supply (sales). Over the course of five or ten years there will be a great deal of change in composition of stores in the marketplace, that cannot be anticipated, making any attempt to forecast a gap analysis unreliable.

Full tables showing the results of the gap analysis are included in the appendix. Gaps within the primary trade area include automobile dealers, other motor vehicle dealers, automotive parts and accessories stores, electronics and appliance stores, building material and supplies dealers, lawn and garden equipment and supplies stores, grocery stores, specialty food stores, health and personal care stores,

gasoline stations, clothing stores, jewelry, luggage and leather goods stores, sporting goods, hobby and musical instrument stores, book stores and news dealers, office supplies, stationery and gift stores, and other miscellaneous store retailers. As noted earlier, not all of these will be good candidates for recruitment to the downtown, or even to the community at large.

**Dining**

The average household in the primary trade area spends about \$2,800 annually on food away from home. Included in this total are not only restaurants, but also school or work cafeterias, vending machines, hotel food services, and other places where meals or snacks can be purchased. This analysis will only address the amount spent at restaurants and snack and beverage places. Because the trade area has been drawn to coincide with the city’s laborshed, there will be no additional impact attributed to workers.

**RESTAURANT MARKET POTENTIAL AND SALES ESTIMATES**

Total spent on food away from home .....	\$61,643,583
Amount spent at full service restaurants .....	\$28,725,909
Estimated sales at downtown full service restaurants .....	\$9,216,330
Market share .....	32.1%
Estimated trade area sales .....	\$14,966,300
Sales leakage (gap).....	\$13,759,609
Amount spent at limited service restaurants .....	\$25,212,255
Estimated sales at downtown limited service restaurants .....	\$3,697,440
Market share .....	14.7%
Amount spent at drinking places.....	\$4,245,310
Market share .....	16.8%
Estimated trade area sales .....	\$25,286,184
Sales surplus.....	\$73,929

With restaurants including Blue Heron Brew Pub, Thomas House, Gondolier, and Royal Tokyo, the downtown does a respectable job of capturing demand for full service restaurants. Even so, the loss of Hudson’s likely signals the to ability to capture a greater market share. There are 15 full service restaurants located within the trade area, with combined sales of about \$14.96 million. These figures suggest that there is a total of \$13.76 million in unmet demand. Some of these sales are likely captured by limited service restaurants in the trade area.

One of the interesting characteristics of Marshfield’s market is the general lack of chain restaurants. Aside from Applebee’s and Perkins, there are no national full service chains in the city. This could be one factor in people leaving the city to seek out a particular chain that may be located in Wausau or elsewhere.

Shopping also figures into decisions about where to eat. Shopping and dining are often combined into a single trip. When residents leave Marshfield to shop in Wausau or Appleton, they will also patronize the restaurants in that area. This will



*Marshfield Family Restaurant is a popular full service restaurant in the downtown.*

*Marshfield, and central Wisconsin in general, has a lack of national restaurant chains.*

be a challenge to any local eating and drinking business attempting to gain market share.

There is a much larger number of limited service restaurants, with the total estimated at 66, including fast food restaurants, buffets, taverns, and snack and nonalcoholic beverage places. Snack and beverage places, including establishments such as coffee shops, bagel or donut shops, and ice cream parlors, are especially under-represented in the total. Fast food restaurants dominate this industry. Because of their auto orientation, most of these will be found in highway locations where there is ample parking and the ability to provide drive-up service.

The downtown has 21 limited service restaurants, including five fast food restaurants, one buffet, two snack and nonalcoholic beverage places, and 13 taverns. Combined, these businesses represent 31.8 percent of the businesses in this industry, with a 31.5 percent market share.

The total sales at limited service restaurants in the trade area is estimated at \$25,286,184. This sum is nearly equal to the estimated trade area potential, but that does not mean that there are no opportunities for new businesses to enter the market. The current selection of limited service restaurants is limited. For example, there are several Subway franchises in the area, and there is not much difference between the several fast food burger restaurants.

A business that can differentiate itself by offering a relatively unique product has the opportunity to capture market share from competitors. Examples might include a bagel/muffin/donut shop, a coffee/tea/juice bar, or a deli serving unique sandwiches, soups, and other quickly served, good quality foods. Businesses such as these could be successful in the downtown. As already noted, the downtown currently lacks many options for a fast lunch or snack. Providing an atmosphere conducive to informal meetings could help to boost sales.

## **COMPETITIVE ENVIRONMENT**

Competition for businesses in the downtown comes from both elsewhere in Marshfield and from surrounding communities. Rival businesses within the city compete with downtown businesses serving the local market as well as specialty businesses that may have a broader reach. Concentrations of specialty retail found in nearby communities (especially Wausau, Wisconsin Rapids, and even Appleton) will have a greater impact on the downtown's specialty businesses.

### **Marshfield**

Marshfield has a strong retail sector in which most of the community's basic shopping needs can be met. These would include businesses such as auto dealers, auto parts stores, discount department stores, hardware stores, grocery stores, pharmacies, office supply stores, and similar types of stores usually described as neighborhood or community level retail. Specialty retail includes those goods that might be called comparison or destination shopping goods, such as clothing and shoe stores, sporting goods and hobby shops, gift shops, art dealers, and similar uses. These types of businesses are less well represented in the city, and are found mainly in the downtown or in the Marshfield Mall.

The mall serves a dual role as both a competitor for the downtown and as a retail anchor for the community. To the extent that the mall can attract well known chain retailers, it meets the needs of trade area residents who will not find it necessary to travel outside of the city to visit favorite stores. Unfortunately, the mall has not been able to attract and retain many of these leading retailers in categories like apparel and home furnishings. Larger communities like Wausau and Stevens Point

have had better results. Customers from throughout central Wisconsin travel to Fox Valley Mall in Grand Chute (Appleton) or even further for a wider selection of stores.

At 260,000 square feet, the Marshfield Mall is about 20 percent larger than a typical Walmart Supercenter. It is also smaller than the 306,000 square feet of occupied retail space in the downtown. It is anchored by comparatively small J.C. Penney's and Younker's stores, with a limited number of national chain stores including Ashley Home Store, Bath & Body Works, Christopher & Banks, Claire's, and GNC. Smaller, mostly off-price chains and independent businesses take up additional space, as do a number of noncontributing services such as the Humane Society and a dance academy. Eleven storefronts totaling 46,887 square feet (18 percent of the total) are currently vacant.

### **Outlying Areas**

Wisconsin Rapids has a retail base similar to that of Marshfield. Its mall is also anchored by undersized Penney's and Younker's stores. There is a Walmart, but no Target. Because Steven's Point is ten miles closer than Marshfield and has a wider selection of retailers, residents of Wisconsin Rapids are more likely to head there to shop.

Stevens Point has experienced an unusual transition in its retail environment, as the City has led the demolition and redevelopment of its struggling downtown mall. At this time no retailers have been identified for the site. The major concentrations of retail in the city are on its east and south sides, including Walmart, Target, Kohl's, Younker's and other major brands such as Best Buy, Mill's Fleet Farm, Lowe's, Petco, Dunham Sports, Michael's, and Jo-Ann Fabrics.

Regionally, Wausau is the most significant retail center. The downtown Wausau Center Mall is anchored by Sears and Younkers. Inline stores include Aeropostale, American Eagle, Buckle, Deb Shops, Hot Topic, Kay Jewelers, Rue 21, Victoria's Secret, and other national chains. Still, in 2014 the third anchor, JC Penney's closed its doors. This followed the closing of The Gap, Hollister, and Coldwater Creek. Sears is likely to close within a one or two year time frame. In addition to the 85,000 square foot Penney's location, the mall has three smaller vacancies totaling under 8,000 square feet.

The mall's location in the downtown helps to support other specialty stores in the district. Outside of the downtown, the city has several other retailers unique to central Wisconsin, including Barnes and Noble, Sam's Club, Pier 1, Gordman's, Old Navy, and Bed, Bath, and Beyond.

Central Wisconsin has not attracted a great number of national full service restaurant chains. Wausau also has the greatest selection of these including Olive Garden and Texas Roadhouse. Throughout the area, though, local restaurants tend to dominate.

Although Appleton is an hour and a half away, it is a frequent destination for area residents who want the greatest possible selection of stores or restaurants. The fact that Appleton also has the largest entertainment venues also helps to draw people to that city. The Fox Valley Mall (actually in Grand Chute) and surrounding area has a wide selection of stores and restaurants that have no locations in central Wisconsin, and would only be found elsewhere in Milwaukee or Madison.

### **CONCLUSIONS AND DOWNTOWN OPPORTUNITIES**

Downtown is a vital retail district within the community, having more floor area than the mall, if not the department stores to anchor it. The downtown business

*Marshfield's retail competition is complex. Steven's Point, and to a greater extent, Wausau have a wider selection of retail and dining businesses. Even these areas lose customer traffic to the Fox Valley Mall and other retailers in Appleton.*

*Downtown Marshfield could support additional retail including specialty food stores, health care and personal products stores, sporting goods stores, gift, novelty, and souvenir stores, and art dealers.*

mix presently includes a combination of stores serving the local population, and specialty stores necessary to become a destination district. Two challenges must be met for this to happen.

- The city is currently losing customers to Wausau and Appleton. Most of the trade area's basic needs can be met locally, but not its specialty shopping needs (or shopping as entertainment). The mall would normally fill this need, but it has a poor selection of stores and its anchors are undersized. Once people get in the habit of leaving the community to shop, it is hard to bring them to businesses in the downtown.
- The downtown does not offer the best environment for a specialty retail district. While design is one issue, the initial challenge may be to assemble a critical mass of retail with few large non-contributing uses. Shoppers like to see multiple stores in close proximity. In Marshfield, the stores are too often separated by offices and other uses, creating the impression that there are fewer retailers than actually exist, and discouraging customers from walking the street to browse storefronts.

Good eating and drinking places can improve the downtown environment for shoppers and workers, and also bring people into the district who may then become customers of some of the nearby retail businesses. Opportunities exist for restaurants as well as new retail businesses in the downtown.

### **Retail Opportunities**

Five types of retail businesses may be best suited to the downtown, and appear to have a market opportunity. These include:

- Specialty food stores such as bakeries, meat markets, or specialty goods stores. This is a segment with growing interest in locally sourced, high quality, and craft-made products. One or two businesses will occupy up to 4,000 square feet.
- Health care and personal products stores, either focused on health and nutrition, or on personal care items. Again, this is a segment in which craft-made products are experiencing growing demand. An example might include bath and body products stores featuring handmade soaps. Three or four businesses may support up to 7,000 square feet.
- Sporting goods stores, including both general line and specialty stores. Up to three businesses can support about 6,500 square feet of floor area.
- Gift, novelty, and souvenir stores, often with a heavy component of home furnishings. These stores can help to bring in destination retail traffic. Up to four businesses will support 6,000 square feet of retail space.
- Art dealers. Central Wisconsin generally lacks businesses in this category. The focus of a gallery in Marshfield might be on the work of regional artists, or may specialize in a particular form of art such as glass, photography, or painting. One or two businesses can be supported with a floor area up to 3,000 square feet.

### **Dining Opportunities**

Downtown Marshfield has an opportunity to attract full service restaurants and some types of limited service restaurants, occupying up to 20,000 square feet. The former Hudson's location is low-hanging fruit. This popular location is already set up to house a good full service restaurant, and unlike other possible downtown locations, has on-site parking.

Limited service restaurants include both restaurants and snack and nonalcoholic beverage bars. Ideally, the district will be able to attract establishments that offer fast lunch service for downtown workers (among others) and create environments that are conducive to informal working and meetings. Examples cited earlier include bagel/muffin/donut shops, coffee/tea/juice bars, and delis serving unique sandwiches, soups, and other quickly served, good quality foods.

*Downtown Marshfield should seek to capture 20% to 40% of the future demand for office space in the city.*

## OFFICE MARKET

Office demand is estimated based on industry and occupational projections from the Wisconsin Department of Workforce Development. These projections carry through to the year 2020, and subsequent years to 2024 have been extrapolated from prior years' data.

### OFFICE DEMAND

Occupations typically found in office environments were assigned an area based on averages obtained through the CoreNet Global Real Estate 2020 Survey. Compiled in 2013, the data is for 2012. The survey found that the average office size is decreasing, reaching 176 square feet per employee in 2012, from 225 square feet in 2010. It is projected to drop to an average of 151 square feet in 2017. For this analysis, the average executive office was calculated at 300 square feet. Professional and technical offices ranged from 175 to 200 square feet. Lower skilled office functions were assigned 75 to 100 square feet.

Marshfield's office employment will grow slowly, averaging a pace of 58 jobs per year. Over half of the new jobs created will be in health care professions, with the next-largest share being in office and administrative support occupations. In total, these new office jobs will create a demand for 116,128 square feet of new office space. Of this, some portion will be accommodated in existing businesses, and an additional portion will occupy space currently vacant.

#### OCCUPATIONAL PROJECTIONS AND THE NEED FOR OFFICE SPACE

OCCUPATION	NEW JOBS CREATED 2014-2024	AVERAGE OFFICE SIZE (SQ. FT.)	TOTAL OFFICE AREA NEEDED (SQ. FT.)
Management Occupations	45	300	13,491
Business and Financial Operations Occupations	43	175	7,449
Computer and Mathematical Occupations	50	175	8,754
Architecture and Engineering Occupations	5	200	934
Life, Physical, and Social Science Occupations	6	175	967
Community and Social Services Occupations	10	125	1,204
Legal Occupations	3	200	513
Education, Training, and Library Occupations	24	100	2,389
Design, Entertainment, Sports, and Media Occupations	9	125	1,150
Healthcare Practitioners and Technical Occupations	245	200	49,019
Office and Administrative Support Occupations	145	75	10,903
<b>Total, Office-Based Occupations</b>	<b>584</b>		<b>96,773</b>

Allocation for common areas (lobby, conference rooms, work rooms,	20%
Additional office space required in Marshfield (citywide)	116,128

## DOWNTOWN OFFICE ENVIRONMENT

Downtown Marshfield is one of two employment concentrations within the city, with the second centered on the hospital and clinic. Many of the existing health care and related jobs are in that area, and much of the growth in these occupations will likely be housed in close proximity to these anchor institutions. The downtown will be better positioned to capture new employment in occupations such as management, business and financial, and computer and mathematical occupations.

Some trends are worth noting. The business software and data company, Intuit, has estimated that by 2020, about a third of the working population will be operating solo as self-employed business owners, freelancers, or contract workers. This is indicative of two other trends: 1) the average business size has been steadily decreasing, and 2) the average size of new businesses started has been decreasing. As a result of these trends there is likely to be demand for smaller offices and flexible work spaces, rather than large office space.

This trend may benefit downtown, as its buildings tend to have a smaller footprint than newer buildings on the periphery. At the same time there is the potential for conflict with retail uses that may prefer to have other retailers occupying ground level space, especially in the core blocks of Central Avenue. Ideally, office space in the downtown will be steered toward the upper levels of buildings on Central Avenue, or to secondary streets in the district.

Current vacancies in the downtown total 56,238 square feet. Included in this total are some buildings (such as the former Hudson’s) that are not suited to office uses. These total about 11,000 square feet. Another 28,000 square feet is located in the core part of downtown, on Central Avenue between the railroad and 4<sup>th</sup> Street. Ideally, this space should be preserved for retail uses, however, a large part of the space is already being converted to office use.

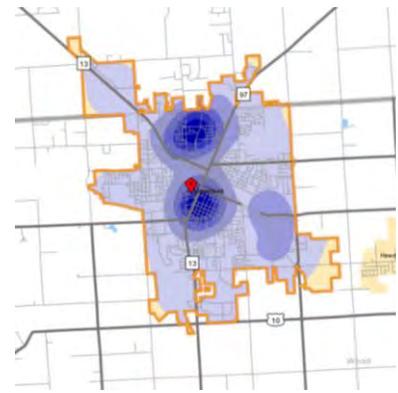
### DOWNTOWN VACANCIES AND SUITABILITY FOR OFFICE USE

Total vacant space (square feet) .....	56,238
Not suited to office uses (square feet) .....	11,028
Located in core area on Central Avenue (square feet) .....	27,806
Converted to office use (square feet) .....	11,832
Remaining core area vacancy (square feet) .....	15,974
Vacancy outside of core area .....	24,372
Former Walgreen’s building .....	13,000
Remaining vacancies outside of core area .....	11,372

Taking out the properties not suitable for office use and those located in the Central Avenue core, there is 24,372 square feet of vacant space that might be considered for future office use. Over half of this, however, is located in the former Walgreen’s building.

## MARKET CAPTURE

It is reasonable to assume that the downtown can capture between 20 and 40 percent of the future demand for office space. This would result in the need for



*Employment concentrations in Marshfield.*



*A downtown building being converted to office space.*

23,225 to 46,450 square feet of space. If no new office space is created, either there will be insufficient space to meet future demand, or other existing uses will be replaced by office uses. This is not necessarily undesirable, if for example, a non-retail use like manufacturing or warehouse space was converted to offices. Replacing retail space with offices, however, would be detrimental to the health of the district as a shopping destination.

The projected demand for office space suggests the opportunity to adapt existing buildings or to construct new buildings for office use. New office development should be directed to the upper levels of buildings in the core part of downtown, or to secondary locations where they will not negatively impact the district's ability to create a retail and dining destination.

Over the next decade a baseline demand for new office space may start at 10,000 square feet and range up to 30,000 square feet. There is the potential to go higher if existing space in the downtown core transitions to retail and dining from other uses.





The Holiday Inn & Conference Center in downtown Marshfield

## LODGING MARKET

Hotels can be an attractive use in a downtown setting, helping to redevelop blighted properties, providing jobs and tax revenue, and generating visitor traffic to help support downtown businesses. A downtown district may also be desirable to the hotel if it can play off of the proximity to shops and dining to create a competitive advantage in attracting lodgers. Within the hospitality market generally, middle-aged and older, as well as lodgers willing to spend more, are the demographic most influenced by location in deciding where to stay.

This analysis looks at current and projected conditions for the lodging sector in Marshfield. While there are ten hotels and 536 rooms available in the city, a majority of the inventory is outdated, if not obsolete by modern industry standards. This condition, along with strong demand, suggests the opportunity to support an additional hotel in the city. A midscale chain such as Hampton Inn, La Quinta Inn, or Comfort Inn would be a good option. Several sites might be considered on South Central Avenue between 9<sup>th</sup> Street and 6<sup>th</sup> Street, or the southwest corner of Veteran’s Parkway and Chestnut Avenue.

### EXISTING LODGING FACILITIES

There are ten lodging facilities already located in Marshfield. A majority of these are independent hotels, with three chain properties. Holiday Inn and Hotel Marshfield represent the best in the market, with contemporary rooms, attractive facilities, and above average amenities. Both of these facilities have an attached restaurant and banquet/meeting space.

Baymont Inn & Suites and Quality Inn are the two remaining chain hotels in the city. These are good, but unremarkable hotels that are due for some level of renovation, or at least an update of furniture and bedding to provide a fresher look. Online reviews have been average to good, with service issues as the chief complaint. A recurring theme at these and most other hotels in the city is that the breakfast is of poor quality compared to hotels elsewhere.

EXISTING LODGING FACILITIES IN MARSHFIELD

Hotel	Year Opened	Rooms	Rate	Market Class	Rating	Meeting Space
7 Stars Motel	1998	48	\$40-45	Midscale	nr	--
Baymont Inn & Suites	2000	59	\$71-97	Midscale	★★	--
Hillcrest Motel	1976	32	\$50-55	Economy	★	--
Holiday Inn Conference Center	2004	91	\$115-150	Upper Midscale	★★★	6,500 sq. feet
Hotel Marshfield	1978	99	\$119-149	Upper Midscale	★★★	8,250 sq. feet
Neva Jean Motel & Apartments	1976	24	\$35-53	Economy	nr	--
Park Motel	1962	20	\$50	Economy	★★	--
Quality Inn	1985	46	\$80-100	Midscale	★★	--
Stardust Motel	1962	15		Economy	nr	--
Woodfield Inn & Suites	1989	104	\$70-75	Midscale	★★	Meeting Room

nr = not rated

There are six independent hotels in the city, not including the Hotel Marshfield. Five of the six target economy travelers with rooms priced at or around \$50 or less. The Woodfield Inn & Suites is a midscale property similar to the Baymont Inn or Quality Inn, and similar comments concerning a dated property and occasional service complaints can be said about it. The remaining independents get good marks for cleanliness and affordability, but may have a poor appearance from the street and uniformly offer out-of-date rooms with few amenities. These conditions – extending even to the chain hotels – are likely causing some potential guests to stay at more modern hotels in nearby communities.

The following is an assessment of the existing hotels in Marshfield.

- 7 Stars Motel – This is a basic independent hotel with few amenities. While listed as a midscale property, it more closely matches the expectations of an economy tier hotel. The exterior is not very appealing and the rooms are dated.
- Baymont Motel – Online reviews of this hotel are generally positive. The hotel offers amenities typical of the chain, including a pool and business center. Rooms are basic and somewhat dated.
- Hillcrest Motel – The hotel makes a very poor impression from the street. It is a basic independent property with few amenities. Rooms are dated. Online reviews are generally average.
- Holiday Inn & Conference Center – This hotel has a large number of good reviews, with a handful of negative comments related to staffing, noise, or the quality of the restaurant. It is among the city’s more contemporary hotels and offers the greatest selection of amenities. There is an attached restaurant as well as conference facilities. The hotel is located downtown.
- Hotel Marshfield – The hotel has been recently renovated with very attractive rooms and facilities. It has provided a small number of rooms equipped with a kitchenette for extended stays, targeting staff and families of patients at the hospital and clinic. There is an attached restaurant and banquet or meeting rooms. This property was selected as “Marshfield’s Best Hotel” in a newspaper poll.
- Neva Jean Motel & Apartments – This is an older independent hotel marketed as “a convenient place to stay while visiting the exceptional medical facilities Marshfield has to offer”. Most rooms provide a kitchenette. The appearance is very dated and there are few amenities.
- Park Motel – This is an older independent motel. While not particularly attractive from the outside, it appears to have a room décor that is somewhat more contemporary than other independents in the city.
- Quality Inn – The Quality Inn is one of the few pet-friendly hotels in the market. Rooms are basic, though somewhat more contemporary than most other hotels in the city. Amenities are typical of a midscale hotel. Some service issues have been noted in reviews.
- Stardust Motel – The Stardust is a dated independent hotel aimed at the economy traveler. The hotel does not accept online reservations.
- Woodfield Inn & Suites – The hotel appears to have been partially updated sometime within the past several years, however, furnishings are generally low quality and some have a dated look. There is an attached restaurant.

## INDUSTRY TERMS

### ADR (Average Daily Rate)

A measure of the average rate paid for rooms sold, calculated by dividing room revenue by rooms sold.

### Market Class

Class is an categorization which includes chain-affiliated and independent hotels. An independent hotel is assigned a class based on its average daily rate (ADR), relative to that of the chain-affiliated hotels in its geographic proximity. There are six class segments:

- Luxury
- Upper Upscale
- Upscale
- Upper Midscale
- Midscale
- Economy

### Occupancy

Occupancy is the percentage of available rooms that were sold during a specified period of time. Occupancy is calculated by dividing the number of rooms sold by rooms available

### RevPAR (Revenue Per Available Room)

Revenue per Available Room (RevPAR) is the total guest room revenue divided by the total number of available rooms. RevPAR differs from average daily rate (ADR) because RevPAR is affected by the amount of unoccupied available rooms, while ADR shows only the average rate of rooms actually sold.

Nearby, there are three hotels in Neillsville, including one chain (Super 8) and two independent hotels. Abbottsford also has a chain hotel (Rodeway Inn) and two independents. Wisconsin Rapids has nine hotels including America's Best Value Inn, AmericInn Lodge & Suites, Quality Inn, and Sleep Inn. Seventeen hotels are located in Steven's Point. Chains located in the city include AmericInn, Best Western, Comfort Inn, Country Inn & Suites, Days Inn, Econolodge, Fairfield Inn & Suites, Hampton Inn, Holiday Inn, Holiday Inn Express, and La Quinta Inn and Suites.

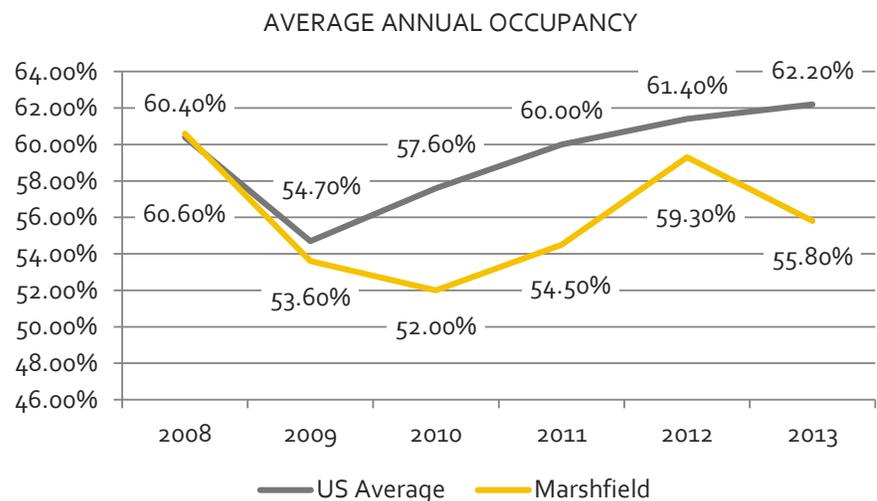
The Wausau area has 30 hotels including AmericInn, Best Western, Country Inn & Suites, Courtyard, Days Inn, Econolodge, Fairfield Inn, Hampton Inn, Holiday Inn Express, Holiday Inn Hotel & Suites, Howard Johnson Inn & Conference Center, La Quinta Inn & Suites, Motel 6, Super 8, and Quality Inn. Wausau also has two unique properties. The Candlewood Suites is the area's only extended stay hotel. The city also has the Grand Lodge Waterpark Resort.

## HOTEL INDUSTRY OVERVIEW

After experiencing five or six years of strong revenue and occupancy growth in the early 2000's, the hotel industry suffered significant declines in the recession years. The low point was reached in 2009, and it has taken until 2013 for the industry to recover to the occupancy and revenue levels seen earlier. During this time the pace of development slowed considerably, although the pace of growth in small metropolitan markets such as Marshfield was nearly double the national average.

As another outcome of the recession, as all travel segments declined, business travel fell in proportion to leisure travel. In 2008 business travel accounted for 43 percent of overnight stays, then dropped to 40 percent in following years. In 2013 there was a slight uptick to 41 percent of all stays. Leisure travel may be even more important to Wisconsin. The Wisconsin Department of Tourism estimates that leisure travel makes up 88 percent of visitor spending in the state. Lodging is the biggest share, with 26 percent of the total.

STR Global aggregates monthly data from participating hotels, providing insight into local market trends. To maintain confidentiality, a minimum number of hotels must be included in a selection. To achieve this, the data provided here includes Marshfield's reporting hotels along with reporting hotels in Abbottsford and Neillsville. Reporting hotels include all of the chain-branded facilities along with the Hotel Marshfield.



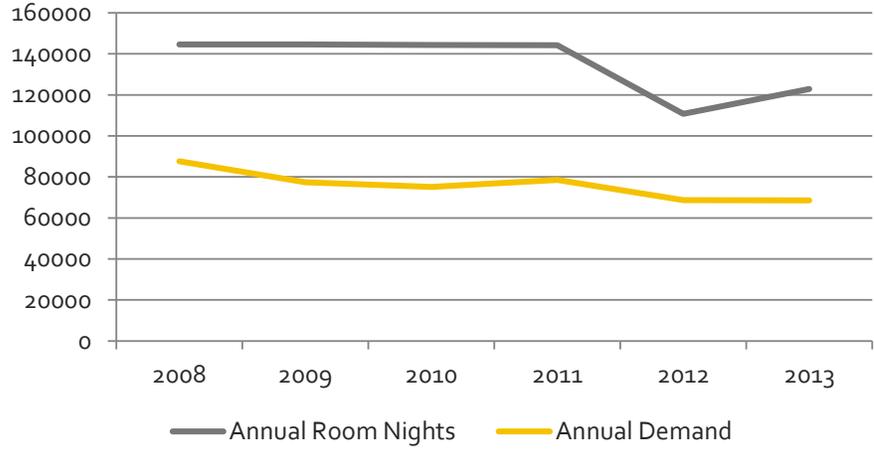
Local data demonstrates a trend similar to the national experience. From a high in 2008, occupancy dropped in 2009, but a recovery has taken longer to ensue. Several characteristics of the local and regional market may help to explain the difference, as well as the drop in occupancy seen in 2013.

- Room supply – While there have been no *new* hotels constructed in Marshfield since the Holiday Inn opened in 2004, there has been a change in the average number of rooms available. In 2011 the Clearwaters Hotel & Conference Center closed due to bankruptcy, removing its rooms temporarily from the available inventory. The hotel was extensively remodeled and reopened as the Hotel Marshfield in 2013. Just as the temporary reduction in inventory helped to increase average occupancy in 2012, the reintroduction of rooms brought down the average in 2013.
- Age and condition – At ten years old, the Holiday Inn and Convention Center has been the newest hotel in Marshfield (though the remodeled Hotel Marshfield may now arguably make that claim). It is far from the newest hotel in the region. Newer and better-appointed hotels can be found in Steven’s Point, Wisconsin Rapids, and Wausau, all of which are only 30 to 40 miles away. Travelers who have no particular necessity of staying in Marshfield may prefer to continue to a newer hotel in one of these cities.
- Brand and independent hotel dynamics – Many travelers have a preferred hotel brand, or may be reluctant to stay at an independent hotel. Only three branded hotels are located in Marshfield, while the nearby larger cities have many more chain hotels. In addition to room nights lost due to customer brand preference, on nights when all three Marshfield chain hotels are booked, travelers may look elsewhere before staying at an independent hotel in the city.
- Average Daily Rate – At a national level, the average daily rate for hotel rooms has barely passed its 2008 level after dropping during the recession, and then slowly climbing. In comparison to a 2.75 percent increase at the national level, the average daily rate in Marshfield has climbed 20.85 percent since 2008, with increases in every year.

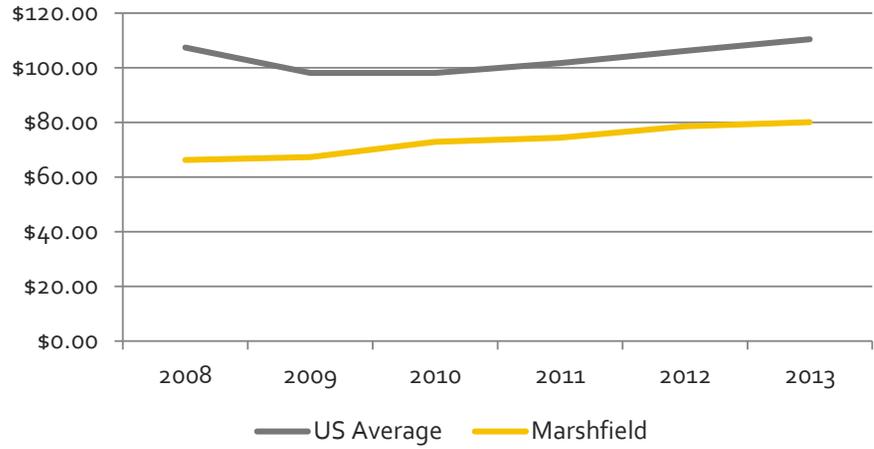
Two possible scenarios can be suggested. The first is that, taken in conjunction with the age and condition of most rooms, potential customers do not perceive a good value and are choosing to stay elsewhere (another city). The second scenario is related, surmising that the perceived condition of lower priced properties is encouraging people to stay at Marshfield’s better, and more expensive hotels. These scenarios are not mutually exclusive.

- Inclusion of Abbottsford and Neillsville hotels – In order to obtain a set of hotels for which data could be obtained, it was necessary to include hotels in Abbottsford and Neillsville. Typically, smaller communities like these will see less traffic and lower occupancy rates that will bring down the average.
- Demand – The recession brought on a decrease in demand, and that demand has not returned in subsequent years. In fact, the lowest demand was recorded in 2012 and 2013. The temporary closure of the Clearwaters Hotel and Conference Center (Hotel Marshfield) likely explains much of the decline, as its meeting and banquet facilities are likely significant generators of demand.

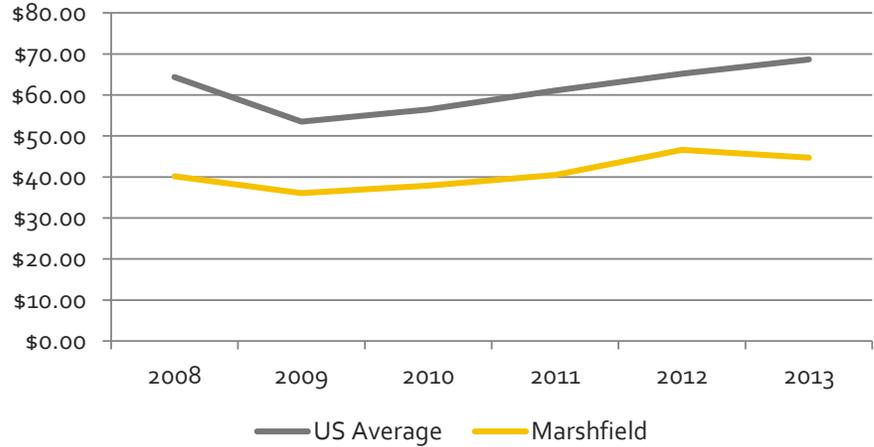
### ROOM SUPPLY AND DEMAND - MARSHFIELD



### AVERAGE DAILY RATE (ADR)



### REVENUE PER AVAILABLE ROOM (REVPAR)



Revenue per available room is another measure used to assess performance of the market. By increasing the average daily rate, Marshfield hotels have compensated for weaker demand in the recession and following years.

Discussions with the Wausau Convention & Visitors Bureau confirmed some of the observations made above. The Wausau market contains approximately 2,100 hotel rooms, with occupancy running currently at about 60 percent (in a range from 50 to 65 percent each month of 2014). Data provided by the City suggest an annual average closer to 50 percent occupancy in recent years. This low rate is partially attributed to the recession and partly to a condition of oversupply brought on by recent hotel construction. The average daily rate is running somewhat less than in Marshfield, at around \$70 to \$75. Most of the city's hotels are chain branded, and a large number are new or have been renovated in the past five years.

## **SOURCES OF DEMAND**

There are three primary sources of travel demand at play in the Marshfield market. These are business travel, leisure travel, and medical-related travel attributed to the Marshfield Clinic and St. Joseph's Hospital. Two events have impacted business and leisure travel. The first of these was the recession, during which businesses and households made significant cuts to travel budgets. The second event was more local in nature, and was the closure of the Clearwaters Hotel and Conference Center at the end of 2012. The loss of its facilities impacted the ability to book conventions, meetings, group events, weddings, and other functions that generate about a quarter of all trips nationally.

The Hotel Marshfield reopened as a very attractive property with good meeting and banquet facilities. This analysis assumes that the Hotel Marshfield is able to recapture meeting and group events, and associated hotel stays lost when the Clearwaters Hotel closed. No other significant changes in the market are anticipated.

## **DEMAND FORECAST**

Aside from the types of travel (market segments), demand for rooms is typically discussed in terms of accommodated demand, unaccommodated demand, and induced demand. Market growth will occur regardless of whether there is a new hotel added within the city. Additional rooms may be captured through induced demand or by capturing unaccommodated demand. These increases will not be realized until or unless a new hotel may open. The opening date for a new hotel is assumed to be January 1, 2017, providing time for site selection, recruitment, and development.

- Accommodated Demand Growth – The actual number of lodging nights recorded in an area is referred to as accommodated demand. There is generally an expectation that the market can continue to capture this demand, and that it will grow over time. An annual growth rate of 4.5 percent is forecast through 2016, largely addressing the reentry of the Hotel Marshfield and its ability to book rooms for meetings and events. In subsequent years the rate of growth is estimated at 2.0 percent. For purposes of comparison, the U.S. Travel Association is forecasting a national average growth rate of 1.7 percent per year.
- Unaccommodated Demand – The potential room market is larger than the number of rooms presently being taken. Potential guests are staying elsewhere for reasons such as convenience, price, quality, and brand preference. Additionally, 17 percent of leisure trips taken by car include a

pet, yet few local hotels accept pets. If pet rooms are filled or if the guest is unwilling to pay a comparatively high fee, they may look elsewhere. Unaccommodated demand can also occur on occasions when all available rooms are booked, and potential guests need to leave the community to find a room. A new hotel may address a subset of these issues.

The preceding analysis paints a picture in which Marshfield has few chain hotels, with many of its chain and independent rooms falling behind expectations for contemporary décor, and providing service and amenities that are simply average. Room rates have risen rapidly, and some guests may feel that they do not provide a commensurate level of value. Meanwhile, nearby communities offer plentiful, newer chain competition. Given the significant opportunity to recapture unaccommodated demand, an estimated growth rate of 2.5 percent is forecast. This source of market growth is realized only with the addition of a new hotel, which is assumed to open in 2017.

- Induced Demand – Induced demand is new room demand created simply by having a new hotel in the market, especially if that hotel carries a new chain flag not in the community, or has amenities that will be unique or generate demand. Induced demand may also be created by the addition of a demand generator in the market. Examples might include a new major employer that will expand business travel, or a visitor attraction that will increase tourist travel.

This analysis does not anticipate the introduction of any large-scale demand generators in the community, although in the long term an attractive downtown with a critical mass of desirable shops and restaurants could help to generate demand for a downtown hotel. Induced demand over the next five years will largely be to the introduction of a new hotel, and is estimated at 2.5 percent per year. Again, this increase is predicated on a new hotel opening in 2017.

- Cannibalization – Introduction of a new hotel into the market will have an impact on the performance of existing establishments, seen as a combination of fewer bookings and a drop in rates at some hotels. This is caused when guests who might have stayed at one of the other properties in the city instead choose to stay at the new hotel.

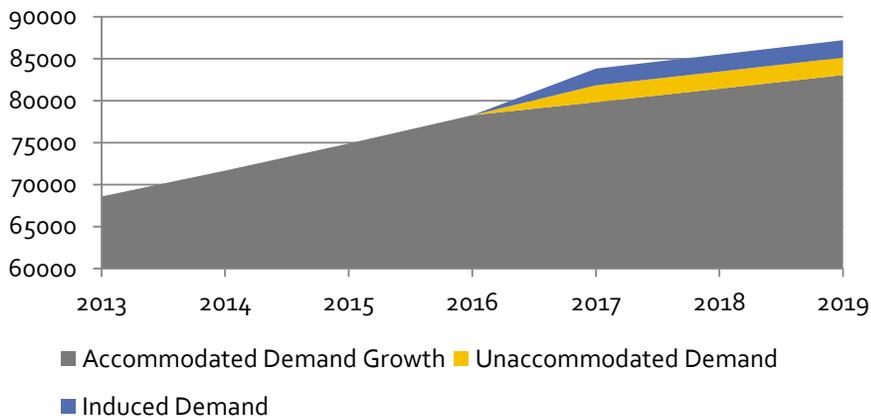
Independents competing primarily on price, and Marshfield's better hotels (Holiday Inn and Hotel Marshfield) are least likely to be impacted. Existing hotels may respond in one of several ways, aside from lowering rates. They may try to compete by renovating rooms and facilities, or adding new amenities. Some may choose to close. These are most likely to be the least competitive hotels based on factors such as age, number of rooms, condition, service quality, amenities, and management competency.

Closure of one or more hotels may help to raise the overall quality of lodging in the community, and removing their rooms from the available inventory will help to raise market occupancy. At the same time, the City may need to address potential blight, conversion of the building to other uses, or redevelopment.

The following chart depicts forecasted annual room demand if a new hotel were to open in Marshfield in 2017. Accommodated demand is anticipated to increase from 65,580 room nights in 2013 to 83,051 room nights in 2019. The addition of a new hotel may be expected to take the end total to 87,204 room nights. Characterized

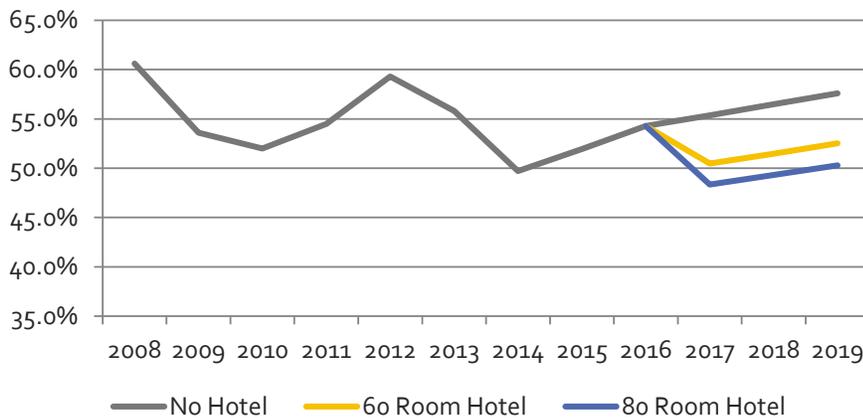
in another way, these numbers may be translated as an average of 8.5 additional room stays per day in 2014, growing to an additional 51 daily room stays in 2019.

**FORECAST ANNUAL ROOM DEMAND  
WITH NEW HOTEL OPENING IN 2017**



Two scenarios were considered when looking at the impact of a new hotel on occupancy. The first is the addition of an 80 room midscale or upper midscale hotel opening on January 1, 2017. The second changes the size of hotel to 60 rooms. Either scenario will cause a drop in the occupancy rate, even while increasing the number of room nights.

**TREND AND FORECAST OCCUPANCY WITH THE ADDITION OF  
A 60 OR 80 ROOM HOTEL IN 2017**



There is no clear-cut answer to the question of whether Marshfield can support another hotel. The projected demand, taken in conjunction with the condition of existing hotels in the city suggests that a new hotel can be successful. This would be a midscale or upper midscale hotel such as a Best Western, Comfort Inn, Hampton Inn, or La Quinta.

Overall occupancy would drop to a borderline low level similar to what the market is currently experiencing. There would also be a shift in hotel stays away from some of the non-chain and older, more dated properties. This might result in new investment to upgrade older hotels, but there is the very real potential for one or more hotels to close. Removing some of the older and less competitive rooms from the inventory would have the effect of improving occupancy in the market.

**PROTOTYPE HOTEL DEVELOPMENT SPECIFICATIONS**

**Best Western**

Rooms.....	80
Floors .....	3
Building (sq. ft.) .....	45,310
Footprint (sq. ft.) .....	16,861
Lot (acres) .....	1.93
Parking stalls .....	91

**Comfort Inn**

Rooms.....	87
Floors .....	3
Building (sq. ft.) .....	41,346
Footprint (sq. ft.) .....	15,320
Lot (acres) .....	1.71
Parking stalls .....	87

**Hampton Inn**

Rooms.....	80
Floors .....	3
Building (sq. ft.) .....	47,489
Footprint (sq. ft.) .....	15,000
Lot (acres) .....	1.59
Parking stalls .....	80

**DOWNTOWN HOTEL DEVELOPMENT**

A typical midscale or upper midscale chain hotel, with up to about 80 rooms, will be a three story building. The ground floor will usually be larger than upper levels in order to accommodate common areas such as the lobby, breakfast room, meeting rooms, fitness center, and pool. A typical footprint will occupy 15,000 to 18,000 square feet. The hotel, parking, and landscape areas will require a lot between 1.6 and 2.0 acres, with a generally rectangular shape.

There are advantages to locating a hotel in the city center, particularly if it were in close proximity to the Holiday Inn. This would provide convenience for guests who may be staying to participate in an event in the Holiday Inn’s conference or banquet space. A central location is also convenient to any part of the city, but particularly to St. Joseph’s Hospital. A location such as along Veteran’s Parkway, west of Chestnut Street, would provide good traffic and excellent visibility on a state highway.